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Tax aims to sour teens on sweet `alcopops'

By Steven Harmon MediaNews Sacramento Bureau

SACRAMENTO - State tax regulators decided Tuesday to place a stiff tax on fruity alcoholic beverages that some fear have become increasingly popular among teenagers.

The 3-2 vote by the State Board of Equalization to tentatively classify the beverages as liquor rather than beer, said state Controller John Chiang, will "help reduce their popularity with young people by simply pricing the product out of their reach."

The taxes will jump from 20 cents a gallon to $3.30 a gallon. That translates to a 25-cent to 50-cent increase per bottle on the drinks, which sell for $1.50 to $2.50 apiece.

Similar price hikes in Europe on the so-called "alcopops" led to a dramatic decrease in sales, said Michele Simon, the research and policy director at the Marin Institute, an alcohol industry watchdog group based in San Rafael.

"We estimate the price will go up by 25 percent and the drop in consumption will be 35 percent," Simon said. "Youths will respond by not buying the products."

A study commissioned by Santa Clara County last year showed that one-third of girls older than 12 had tried the drinks, sold with names such as Seagram's Melon Splash, Mike's Hard Lemonade, Zima and Jack Daniel's Citrus Jack Splash.

A flavored malt industry spokesman said the new tax regulation won't cut down on underage drinking. The issue, he said, is not about who buys the flavored drinks but how teens get access to alcoholic products.

"Teens are not buying this product," said Gary Galanis, spokesman for Diageo, maker of Smirnoff Ice, which is considered an "alcopop." "Studies show that 65 to 70 percent of underage drinkers get alcohol from older siblings, friends or their parents. The only people to lose in this are adult consumers."

Response to lawsuit

A lawsuit was filed with the Department of Alcoholic Beverage Control late last year by 13 plaintiffs, including Alameda County, Santa Clara County, the California Council on Alcoholic Policy and the San Dieguito Alliance for Drug Free Youth to classify the flavored malt beverages as liquor.

Chiang also called on the Department of Alcoholic Beverage Control to classify alcopops as distilled spirits, which would require retailers to place the products away from non-alcoholic drinks. Retailers often sell the alcopops, which contain 6 percent alcohol - about the equivalent of beer - next to sodas or popular fruit drinks, youth advocates claim.

A spokesman for the ABC said the decision is under review.

"At this point," said John Carr, "it's too early to go into what does this mean."

The department previously said the beverages should be classified as a beer.

Limits on marketing

A bill pending in the Senate, AB 346, would restrict the sale and marketing of the colorful, sweet drinks. The author, Assemblyman Jim Beall, D-San Jose, wants the drinks to be labeled clearly that they contain alcohol.

The bill would also force stores to clearly separate the beverages from non-alcoholic drinks.

"There's been an explosion of alcohol products, as you can see, designed to appeal specifically to youth - underage drinkers - marketed to youth," Beall said when he introduced his bill earlier this year, which has already been approved by the Assembly. "And their marketing schemes have dramatically increased underage drinking."

Another bill, by Assemblywoman Lori Saldana, D-San Diego, would use $54 million in expected tax revenue from the sale of the drinks for programs to discourage underage drinking.

"The important thing today," said Michael Scippa, the advocacy director for the Marin Institute, "is that the BOE recognized what a threat alcopops are to youth."

Chiang's representative on the board, Marcie Jo Mandel, and board members Betty Yee and Judy Chu, both Democrats, voted for the tax increase. Voting against it were board members Bill Leonard and Michelle Steel, both Republicans.

The regulation will now go through a 45-day public comment period, and return to the Board of Equalization for a final vote, which is typically a formality, before going to the Office of Administrative Law for approval. It is expected to take effect on July 1, 2008.

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